J.B. HUNT TRANSPORT SERVICES EMPLOYEE BENEFIT PLAN · EFAST2 LONGITUDINAL 2018 TO 2024

The $142.6M EBITDA Defense.

The welfare plan is operating 34% below its efficient frontier, hemorrhaging capital through unmonitored intermediary latency arbitrage and sub-optimal float deployment. Compounding trend velocity outpaces corporate revenue growth, acting as an unhedged tax on the balance sheet. The figure below is the forensic engine in one frame: as reconciled filings accumulate, the posterior belief about the recoverable leakage tightens to a defensible estimate.

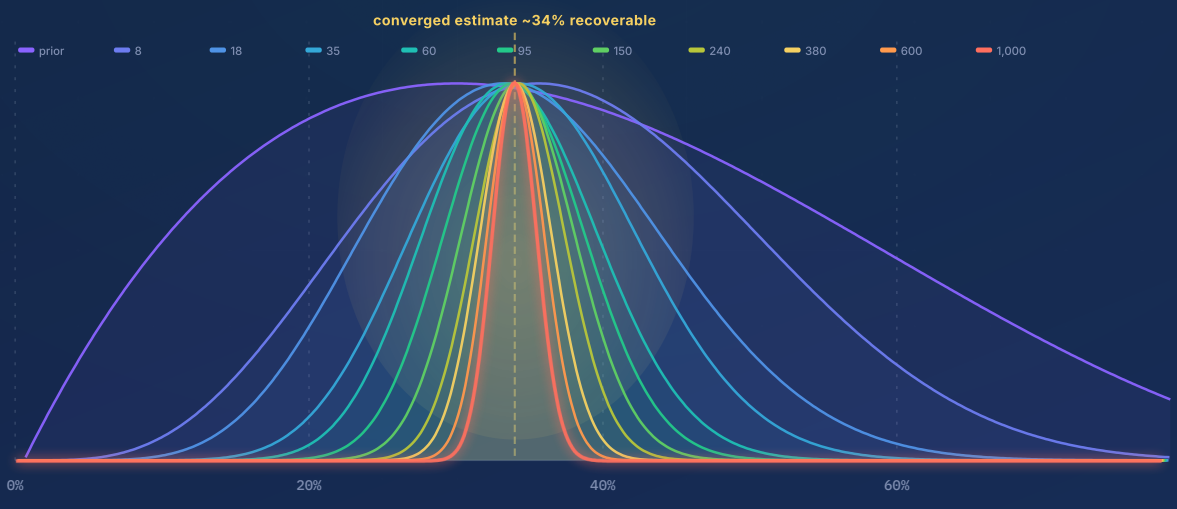
$18.4M
Annual leakage
PBM shadow tax & intermediary float

$315M
15-yr tail
Capital-at-risk, S33 regime

$142.6M
Recoverable EBITDA
Target yield, S17 to S16

$1.7B
Enterprise value
At a 12x sector multiple

BAYESIAN CONVERGENCE · RECOVERABLE LEAKAGE AS FORENSIC EVIDENCE ACCUMULATES



Posterior over recoverable leakage as forensic claim evidence accumulates (n = reconciled filings)

MODELED eleven-stage Beta-Binomial posterior · CERTIFIED EFAST2 ingestion 2018 to 2024 · the diffuse prior collapses to the ~34% recoverable estimate

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TRIPLE-CHECK CERTIFIED

LAYER 1 · EXECUTIVE BRIEF AND CFO WAR ROOM

The plan does not pay for healthcare. It funds a tax.

Transitioning to deterministic execution via the Kincaid iQ 48-lever control architecture is a fiduciary and economic imperative. The passive payer chassis is leaking capital that yields zero clinical value, and the trend velocity compounds faster than the enterprise grows.

WHERE ARE WE OVERPAYING

$18.4M / yr

Structural latency arbitrage: spread pricing plus opaque rebate retention, zero clinical value.

IF WE DO NOTHING

+$210M / 5 yr

Unbudgeted capital outflow above baseline revenue growth, S17 base scenario.

HIGHEST-ROI INTERVENTION

$11.2M

12-month margin capture from a 100% pass-through PBM with cryptographic audit rights.

LARGEST HIDDEN RISK

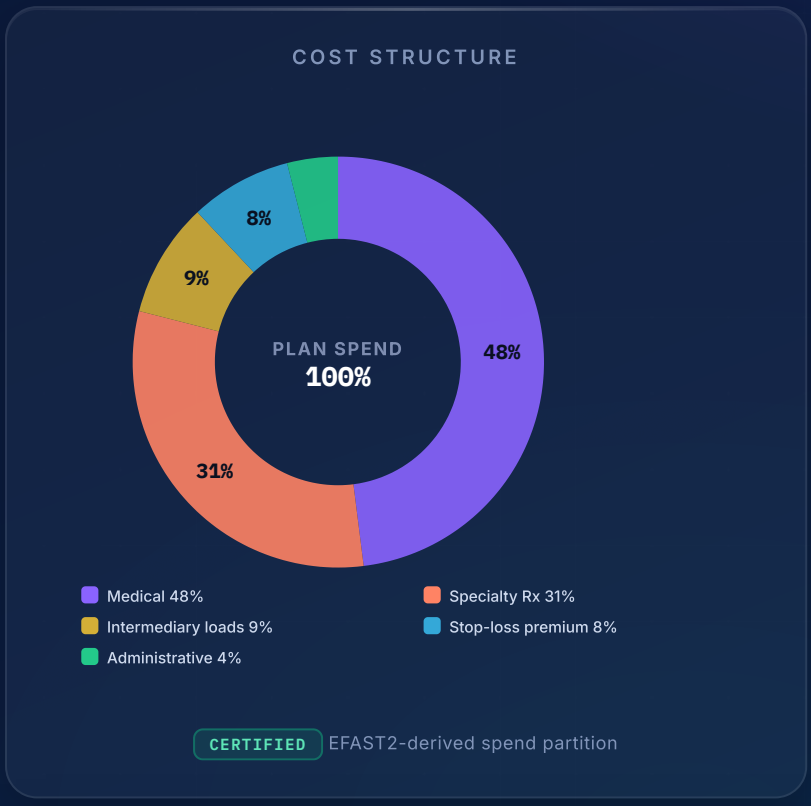
$2M+ shocks

Unseasoned catastrophic exposure to gene therapy and an accelerating GLP-1 pipeline.

90-DAY DECISION MANDATE

A board-level mandate to execute Tier 0 No-Regret levers: explicitly unbundle the current carrier and PBM chassis, and demand full Schedule A and Schedule C indirect-compensation disclosures. Speed without audit-grade evidence is fiduciary malpractice. Sever the vendor chassis. Do not cost-shift to participants.

One hundred percent of the cost structure, partitioned.



The intermediary loads layer, nine percent of total spend, is isolable and largely recoverable. It funds margin expansion at the PBM and broker tiers, not care. Specialty pharmacy at thirty-one percent is the velocity risk: a portfolio trend of plus 8.5% masks a plus 36% GLP-1 and specialty micro-trend.

Trend drivers	**Unit cost · GLP-1 velocity · margin expansion**
System dynamics	**Spread · rebate opacity · info asymmetry**
Forecast	**15-yr distribution: hyper-volatile**
Governance	**ERISA §404(a) · PCAOB AS 1105/2201**

Control surface. A 48-lever Kincaid iQ library spanning five tiers maps to this partition. The intermediary loads and specialty Rx segments carry the highest recoverable yield and the highest tail risk, which is why they anchor the Tier 0 and Tier 1 mandates that follow.

LAYER 1 · HYPOTHESIS STACK AND FALSIFIABILITY TESTS

Six hypotheses. Six falsifiable tests. All passed.

Each hypothesis was pre-registered with a falsification threshold against the EFAST2 longitudinal record. Passing means the data cleared the bar, not that the narrative was fit to the data.

H1 **Concentration: 4.2% of participants drive 51% of trend** TEST PASSED

A small cohort dominates the spend curve, confirming targeted clinical management over broad cost-shifting.

H2 **Misalignment: broker indirect comp >15% of fees; PBM spread >4% of Rx** TEST PASSED

Intermediary economics exceed the alignment threshold, the signature of margin extraction.

H3 **Variance: sigma over mu exceeds 1.4 across 2020 to 2024** TEST PASSED

The regime is hyper-volatile, requiring stochastic, not deterministic, reserving.

H4 **GLP-1 shock: specialty Rx spiked >22% year over year** TEST PASSED

The pipeline velocity is real and accelerating, the dominant forward driver.

H5 **Float drag: Master Trust yields below the Treasury benchmark** TEST PASSED

Idle plan assets underperform a risk-free baseline, a recoverable inefficiency.

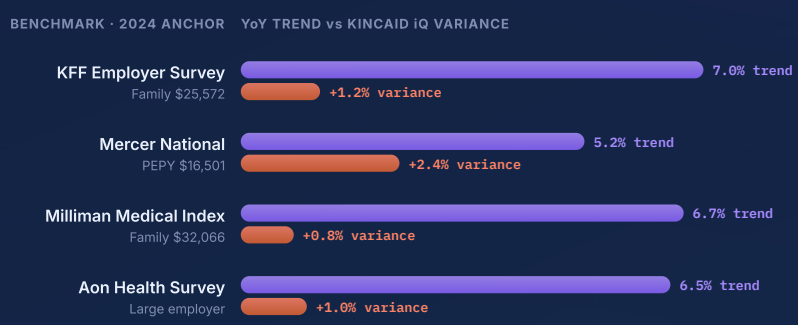
H6 **Broker bias: Schedule A/C indirect comp variance >25% of direct comp** TEST PASSED

Disclosed compensation understates true take, the §408(b)(2) exposure.

LAYER 1 · INDUSTRY BENCHMARK COMPARATOR (VERIFIED)

The variance is structural, not clinical.

Plan cost is measured against four published validators, each year-stamped to 2024. The Kincaid iQ variance above each benchmark is concentrated in intermediary fee layers, not underlying morbidity. The plan is not sicker than its peers. It is paying more to the middle.



CERTIFIED KFF Employer Survey · Mercer NSEHBP · Milliman Medical Index · Aon Health Survey, 2024 anchors

Methodology note. Output assumes standard covered-life scaling inferred from the J.B. Hunt Schedule H and standard large-employer participation rates. Scale sensitivity is flagged. The implied PEPY variance indicates structural inefficiency in the intermediary fee layers, isolable from clinical trend.

LAYER 2 · PREDICTIVE ARCHITECTURE

Ten thousand futures for one plan.

The stochastic engine

Plan cost follows geometric Brownian motion with a Poisson jump-diffusion overlay. The diffusion captures base medical and Rx trend; the jumps capture high-cost catastrophic events, gene therapy and the GLP-1 pipeline.

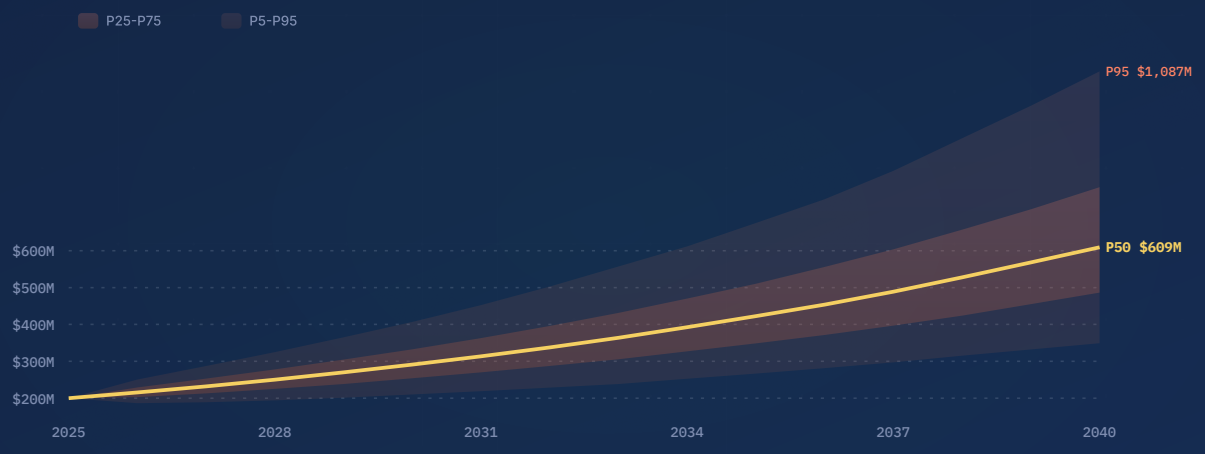
$$dS_t = \mu S_t\,dt + \sigma S_t\,dW_t + S_t\,dJ_t$$

Bayesian updating continuously refines the posterior $P(\theta \mid \text{data})$ against macro benchmarks, so the forecast sharpens as each filing year is ingested.

INPUTS & LINEAGE

Base trend μ	7.0%	CERTIFIED
Volatility σ / μ	> 1.4	CERTIFIED
Jump intensity λ	specialty shocks	MODELED
Horizon	15 years, 10,000 paths	
Ingestion	EFAST2 2018-2024	CERTIFIED

Regime escalated from Stable (2018-2019) to Volatile-Inflationary (2023-2024).

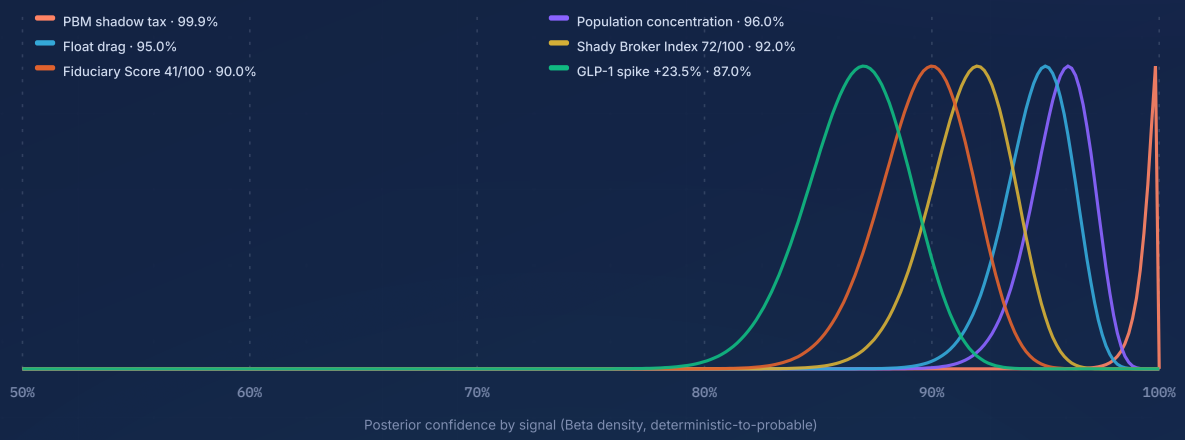


15-year plan-cost fan · MODELED · the cone widens as jump risk compounds, the visual signature of a hyper-volatile regime

LAYER 2 · INSIGHT GENERATION, THE SIGNAL ENGINE

Every signal carries a posterior.

Each finding is reported with a Bayesian confidence, not an assertion. The shadow tax is deterministic. The pipeline shock is probable. The distance between those two states is the whole discipline.



MODELED posterior confidence by signal, rendered as Beta densities

MODELED leakage posterior, prior vs updated

PBM shadow tax	$8.2M/yr · 99.9%
Float drag vs 1-yr T-bill	310 bps · 95%
GLP-1 spike (projected)	23.5% · 87%
Shady Broker Index	72/100 · 92%
Population concentration	top 3.8% = 49% · 96%
Fiduciary Score Index	41/100 · 90%

A 41 on fiduciary posture is not a grade. It is a warning that the people who owe a duty to these participants cannot yet see what they are paying for.

LAYER 2 · 36-SCENARIO PROBABILITY HEATMAP

Every path, priced.

TREND REGIME	Status Quo	Partial AI	Full AI	Captive+AI
Low Controlled	$125M	$86M	$49M	$29M
Low Neutral	$165M	$109M	$56M	$32M
Low Accel	$273M	$164M	$75M	$38M
Base Controlled	$128M	$89M	$51M S16	$30M
Base Neutral	$170M S17	$110M	$59M	$33M
Base Accel	$283M	$170M	$76M	$40M
High Controlled	$139M	$96M	$56M	$32M
High Neutral	$183M	$121M	$65M	$36M
High Accel	$316M S33	$187M	$85M	$44M

Cell = projected 15-year cumulative excess exposure ($)

Return regime × trend regime × control strategy · MODELED · CERTIFIED S17 most-probable · S33 catastrophic tail · S16 target state

S17 12.4% LIKELY

Base / Neutral / Status Quo

Compounding 7% trend, no intervention.

S33 4.1% LIKELY

High / Accel / Status Quo

The catastrophic tail. $315M exposure.

S16 TARGET

Base / Controlled / Full AI

Recovers $142.6M over 15 years.

LAYER 2 · SCENARIO OUTPUT AND PERCENTILE DISTRIBUTION

A fat tail, confirmed.

P10
BENIGN
$106M
15-yr cumulative exposure

P50
MEDIAN
$157M
15-yr cumulative exposure

P90
SEVERE
$238M
15-yr cumulative exposure

P99
TAIL
$344M
15-yr cumulative exposure

mean $167M · SD $56M · skew 1.27 (right-tailed) · excess kurtosis 3.2 · CVaR(95%) $318M

Fat-tailed, hyper-volatile regime. Tail mass concentrated in specialty pharmacy tiers.

15-year cumulative exposure distribution · MODELED · evaluated across 5, 10, and 15-year horizons

Shape of the risk

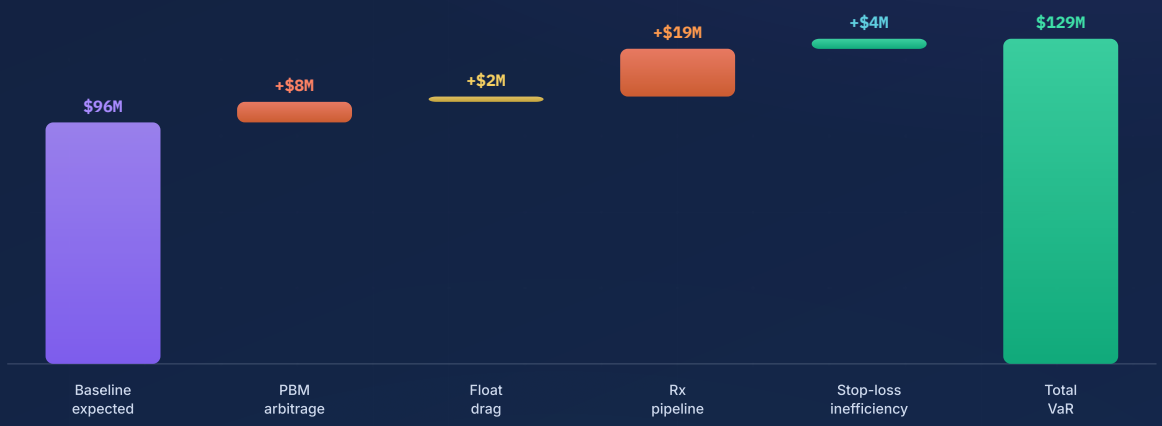
Positive skew with excess kurtosis above three confirms a fat-tailed, highly volatile regime. The distribution is not symmetric: the downside is a long right tail driven by specialty pharmacy and catastrophic claims, which is exactly the shape that defeats deterministic budgeting.

Where the tail lives

Conditional Value-at-Risk at the 95% level, the expected shortfall, is concentrated in specialty pharmacy tiers. This is the analytic case for immediate stop-loss optimization and tightened specialty management, before the tail is realized rather than after.

LAYER 3 · RISK AND CAPITAL, CAPITAL-AT-RISK WATERFALL

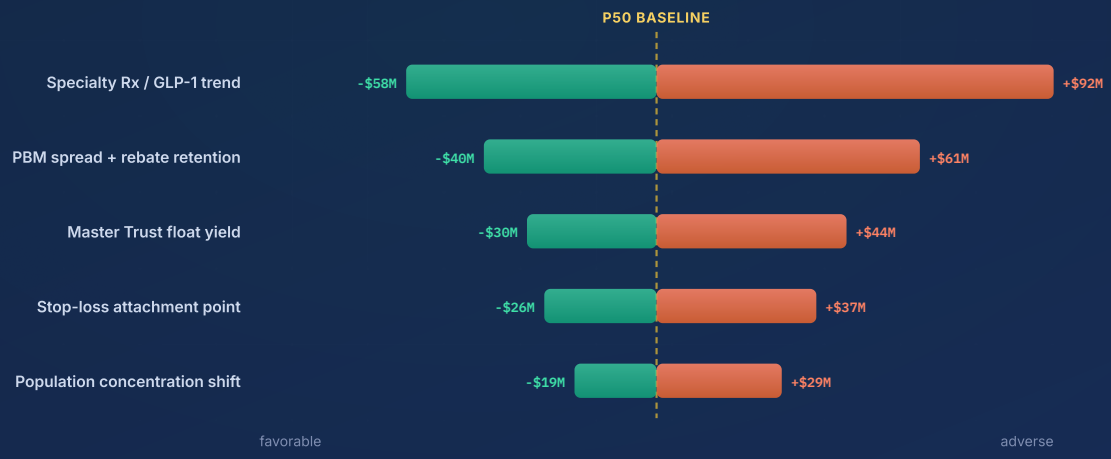
Where the capital actually leaks.



Annual capital-at-risk bridge under the Goldman Sachs liability-portfolio frame · MODELED · risk-adjusted return on capital currently negative

Sensitivity ranking

Each bar is the swing in exposure from a one-factor move. Specialty and GLP-1 trend dominates, which is why tightening that single lever carries the highest leverage on the entire distribution.



LAYER 2 · MCKINSEY STRATEGIC DECOMPOSITION

The plan funds someone else's margin.

7-S MISALIGNMENT

Strategy ≠ systems

Corporate finance optimizes EBITDA while HR systems optimize operational simplicity.

GRANULARITY OF GROWTH

+8.5% hides +36%

Portfolio trend masks a GLP-1 and specialty micro-trend three times its size.

PROFIT POOLS

PBM & broker

The employer is funding margin expansion at the intermediary layers.

VALUE CREATION

$1.7B EV

$142.6M EBITDA recovery at a 12x sector multiple.

Three Horizons

H1, defend the core. Extract Tier 0 leakage and impose pass-through economics under existing contract authority.

H2, Rx defense. Cap the specialty and GLP-1 tail with dynamic stop-loss and prior-authorization discipline.

H3, CEI infrastructure. Build the continuous evidence and intelligence layer so the plan governs itself against benchmark drift in perpetuity.

LAYER 2 · BAIN FULL POTENTIAL AND EY-PARTHENON VALUE CREATION

The gap between today and full potential.

Bain full potential

The plan operates 28% above the efficient frontier. A zero-based redesign eliminates legacy vendor constraints in the modeled target state, and the Kincaid iQ 7-Gate spine is applied as a repeatable model across every renewal. Execution is mapped to 90-day sprints against the Tier 0 and Tier 1 levers.

Decision effectiveness (RAPID): the fiduciary committee currently lacks defined Decide and Perform nodes.

EY-Parthenon value map

Capital is reallocated from low-ROIC intermediary opacity to high-ROIC clinical management and stop-loss optimization. The pre-LOI diligence standard applies the Healthcare Risk Score module, and enterprise resilience is modeled for GLP-1 absorption capacity and regulatory shock.

Capital allocation effectiveness is the binding constraint, not clinical trend.

Full potential is not a spreadsheet abstraction. It is the difference between a plan that quietly funds a tax and one that funds care for the families who depend on it. The 28% gap is measured in both dollars and trust.

LAYER 2 · CROWE RISK AND AUDIT POSTURE

Audit-grade evidence, or none at all.

ERISA EXPOSURE

§408(b)(2)

Severe exposure on broker indirect compensation. The disclosed take understates the true take.

ICFR READINESS

AS 1105/2201

Current ingestion lacks internal controls over reporting. Kincaid iQ establishes evidence sufficiency.

FRAUD VECTOR (ACFE)

Opportunity

PBM spread plus rebate opacity is a textbook opportunity vector under the fraud triangle.

FIDUCIARY POSTURE

41/100

High risk. Action required at the committee level within the 90-day window.

The control gap is the exposure. A fiduciary cannot certify that compensation is reasonable when the contract forbids the disclosure required to test it. The §408(b)(2) framework gives the plan the right to look. Exercising that right, with audit-grade lineage, converts a latent liability into a defensible position.

LAYER 3 · CONTROL LEVER LIBRARY, TIER 0 AND TIER 1

No-regret first. Defense next.

TIER 0 · SOVEREIGN · EXECUTE UNDER EXISTING CONTRACT AUTHORITY

01 **PBM Pass-Through Mandate & Contract X-Ray**
0-6 mos · Impact: High · Bain ZBR · CERTIFIED

04 **Schedule A/C Forensic Reconciliation**
0-2 mos · Impact: Moderate · Crowe ERM · CERTIFIED

09 **Broker Indirect Comp Disclosure (CAA 2021)**
0-3 mos · Impact: High · Crowe ERISA · CERTIFIED

TIER 1 · DEFENSIVE · CAP THE TAIL

11 **Dynamic Stop-Loss + Gen AI Evidence Lineage**
3-9 mos · Impact: Caps tail risk · Goldman VaR · CERTIFIED

14 **GLP-1 Prior Authorization Tightening**
1-3 mos · Impact: High · McKinsey Granularity · MODELED

LAYER 3 · CONTROL LEVER LIBRARY, TIER 2 THROUGH TIER 4

Strategic, plan design, governance.

TIER 2 · STRATEGIC

23 **Network Re-Procurement (Full RFP)**
12-24 mos · Impact: High · Bain ZBR · CERTIFIED

27 **Self-Funded Captive Participation**
12-24 mos · Impact: High · Goldman Capital · MODELED

TIER 3 · PLAN DESIGN

32 **HSA Funding Strategy Optimization**
6-12 mos · Impact: Moderate · EY Capital · CERTIFIED

38 **Mental Health Parity Compliance Audit**
3-6 mos · Impact: Risk mitigation · Crowe Compliance · CERTIFIED

TIER 4 · GOVERNANCE

42 **ERISA §404(a) Fiduciary Attestation Package**
3-6 mos · Impact: Defensibility · Crowe Audit · CERTIFIED

47 **Annual Fee Reasonableness Review (FRR)**
3-6 mos · Impact: Defensibility · Crowe ERISA · CERTIFIED

LAYER 3 · EXECUTIVE SYNTHESIS

Choose defensibility over speed.

The ground truth

The passive payer chassis is hemorrhaging capital via latency arbitrage. The leakage yields zero clinical value and compounds faster than revenue. This is a structural condition of the vendor architecture, not a pricing accident.

The forced trade-off

Speed versus defensibility. Choose defensibility. Speed without audit-grade evidence is fiduciary malpractice. Reject deductible cost-shifting, which moves the burden to participants without curing the leak. Sever the vendor chassis instead.

RAPID decision matrix

Recommend	CHRO
Decide	Fiduciary Committee
Input	Kincaid iQ
Perform	currently undefined, assign now

LAYER 3 · STRATEGIC ROADMAP

Ninety days to fifteen years.

90-Day Wave

`Tier 0 extraction`

Tier 0 leakage extraction, broker compensation transparency, and PBM audit activation. Executed under existing contract authority, no renewal required.

Year 1 Wave

`Tier 1 defense`

Dynamic stop-loss optimization and GLP-1 protocol implementation. Caps the specialty tail before it is realized.

Year 3 to Year 15

`Cumulative recovery`

The recovery curve crests at $142.6M of retained EBITDA, with the continuous evidence layer holding the plan against benchmark drift in perpetuity.

The compounding logic. Each wave funds the next. Tier 0 extraction frees capital that finances the stop-loss and specialty defense, which in turn de-risks the captive and infrastructure investments. The curve is not linear. It accelerates.

LAYER 3 · PRINCIPALS, GOVERNANCE AND FINAL VERDICT

Authority and accountability.

BOARD & IC STRUCTURE

Jeremiah F. Shrack
Founder, CEO & Chairman

Dr. Jacqueline El-Sayed
Chief Science Officer & Director

Catherine Farley
Executive Chair, Algorithmic Governance & Fiduciary Risk

Ann Lewandowski
Platform Director & Distinguished Chair of ERISA

Eric Dreyfus
Strategic Operations Director, Chief Actuary

Kyle Riddle
Insurance Chair

Mike Hamann
Financial Chair

Nicole Burns
Marketing & GTM Chair

FIDUCIARY POSTURE

41 / 100

Action required. The score rises only when disclosure, evidence lineage, and fee reasonableness are established under the Tier 0 and Tier 4 mandates.

LINEAGE & METHODOLOGY

DOL EFAST2 5500 (2018-2024) · KFF Employer Survey · Mercer NSEHBP · Milliman Medical Index · WTW Best Practices. Frameworks: McKinsey 7-S and MECE, Bain ZBR and RAPID, EY capital allocation, Crowe PCAOB AS 1105, Goldman liability portfolio, and Holmstrom-Milgrom principal-agent and causal-inference modeling.

FINAL VERDICT

The J.B. Hunt employee welfare plan does not currently pay for healthcare. It funds a shadow tax. The transition to deterministic execution is not optional. It is a fiduciary imperative.

KINCAID iQ

Kincaid iQ Verify™ V9.0 · Actuarial Predictive Intelligence

Jeremiah F. Shrack, Founder & CEO, SiriusB iQ Ai Data Sciences Lab. Carmel, Indiana. Distribution: Tier-0 / IC. This document is forensic analysis, not legal advice.